

# **EXHIBIT 46**

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.  
<https://www.wsj.com/articles/puerto-rico-power-utility-ceo-resigns-after-less-than-4-months-on-job-1531328679>

PRO BANKRUPTCY BANKRUPTCY

# Puerto Rico Power Utility CEO Resigns After Less Than Four Months on Job

Industry veteran walks away from leadership role of power monopoly known as Prepa, citing compensation



Walter Higgins's resignation creates more uncertainty around Prepa's strategy for overhauling Puerto Rico's indebted, hurricane-damaged power system. PHOTO: PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

By *Andrew Scurria*  
Updated July 11, 2018 5:14 p.m. ET

The chief executive of Puerto Rico's bankrupt electric monopoly has resigned after less than four months on the job, a disruption to the utility's leadership as it struggles to rebuild a shaky power grid and tackle a \$9 billion debt load.

Industry veteran Walter Higgins, who was appointed in March to lead the Puerto Rico Electric Power Authority, known as Prepa, resigned his position effective July 14, citing personal reasons and pushback from Puerto Rico politicians about his compensation, according to people familiar with the matter.

His resignation creates more uncertainty around Prepa's strategy for overhauling the U.S. territory's indebted, hurricane-damaged power system. Gov. Ricardo Rosselló and Puerto Rico's federal financial supervisors have said they want parts of the utility privatized to end its current monopoly structure and to lower costs for consumers.

RELATED

- Puerto Rico Data Suggests Hurricane Maria Death Toll Is Much Higher
- Puerto Rico Overseers Scale Back Spending After Labor-Law Changes Fail

Mr. Higgins will remain on Prepa's board of directors while current board member and former General Electric Co. executive Rafael Díaz-Granados assumes the CEO role, a Prepa spokesman said Wednesday.

Mr. Higgins, the former CEO of Bermuda-based Ascendant Group Ltd., was hired at a \$450,000 salary with the potential to earn double that amount if he met certain performance benchmarks, a compensation package that was criticized by some Puerto Rico officials.

In an email to Prepa employees reviewed by The Wall Street Journal, Mr. Higgins said "the politics related to my compensation" had made it impossible for his employment contract to be honored.

Lawmakers had moved in recent weeks to scale back his compensation while Puerto Rico's Secretary of Justice questioned if certain bonus payments were legal. Mr. Higgins was also criticized for hiring an associate under a \$22,500 monthly consulting contract.

Prepa's spokesman said Mr. Díaz-Granados would be paid a \$750,000 salary as CEO, a figure that also sparked an outcry from lawmakers Wednesday. Mr. Higgins couldn't be reached for comment.

The resignation comes at a critical time for Prepa, one of the largest and most troubled U.S. utilities. Prepa's generation plants and distribution lines were dilapidated after years of inadequate maintenance when Hurricane Maria struck Puerto Rico last year, knocking out power for millions of customers.

Prepa has come under intense criticism for its disaster response, particularly its decision to hire private contractors instead of relying on crews from other mainland U.S. utilities. Whitefish Energy Holdings LLC, the lead contractor hired after Hurricane Maria, was fired after federal authorities raised concerns about the deal.

Prepa has long been plagued by turnover at the top, with officials from opposing political parties revolving in and out with the four-year election cycle. But the attrition has been especially stark under Gov. Rosselló. Prepa's executive director during the storm, Ricardo Ramos, resigned after irregularities emerged in how the Whitefish deal was awarded and priced, and his successor stepped aside to make way for Mr. Higgins.



A Prepa worker in April repairing power lines affected by Hurricane Maria in San Juan. PHOTO: JOSE JIMENEZ TIRADO/GETTY IMAGES

The rickety grid and outdated power plants have made the reconstruction process costly and tedious. Hundreds of customers in Puerto Rico's mountainous regions still haven't had service restored with another hurricane season approaching.

Members of Congress have questioned the delay in seeking help under Prepa's standing mutual assistance deals, industry-standard agreements designed to repair power systems at cost after a natural disaster. Prepa has also been dogged by allegations of corruption and mismanagement that are under investigation by a House committee.

Costly and unreliable power service is a drain on family incomes and the quality of life in Puerto Rico, which owes roughly \$70 billion in debt and another \$50 billion in unfunded pension liabilities. Puerto Rico's oversight board placed Prepa under bankruptcy protection last year and is now soliciting new investment in the electric system.

Union employees worry the privatization strategy could cost them their jobs while bondholders argue they must be compensated for any assets sold off.

Prepa's problems have been decades in the making. It earned praise for powering Puerto Rico's industrialization efforts in the 1940s and 1950s but became more inefficient over time as generating plants, which largely rely on fossil fuels, required major upgrades that were never made or left uncompleted. Corruption scandals around fuel purchases tarnished Prepa's reputation and sparked lawsuits and investigations.

Power outages were common, yet prices were well above average rates on the mainland U.S. because of the cost of importing fuel on tankers. Island residents went to extreme lengths in recent years to keep their electric bills in check, limiting their use of air conditioners as much as they could tolerate and shutting off circuit breakers before going to work.

When the island sank into recession, Prepa's finances worsened as business and residential demand for power declined. The exodus of Puerto Ricans to the continental U.S. in the wake of

Hurricane Maria is shrinking the island's population, depleting Prepa's customer base and leaving creditors fewer avenues to get repaid.

Write to Andrew Scurria at Andrew.Scurria@wsj.com

Copyright &copy;2017 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.